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COUNSEL

IN AND BEFORE THE
FEDERAL ELECTION COMMISSION

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On behalf of Respondent
Covanta Energy Corporation

RE: Matter Under Review 6100

**COVANTA ENERGY CORPORATION'S MOTION TO DISMISS COMPLAINT
AND ITS RESPONSE IN SUPPORT OF MOTION TO DISMISS**

On behalf of Covanta Energy Corporation ("Covanta") by and through the undersigned, this Response and Motion to Dismiss is filed pursuant to 11 C.F.R. § 111.6 with the Federal Election Commission (the "Commission") in response to the Complaint filed by Utility Workers Union of America, Local 369 ("Local 369") in the above-referenced Matter Under Review 6100 (hereafter "the Complaint").

The Complaint filed by Local 369 contains allegations that are not grounded in any factual basis and provide no evidence of any violation by Covanta of the Federal Election Campaign Act of 1971, as amended ("Act"), or the Federal Election Commission regulations ("regulations"). The gravamen of Local 369's Complaint is that Covanta violated Commission regulations at 11 C.F.R. §§ 114.6(c) and (e) by distributing its employee handbook to all Covanta employees. Specifically, Local 369 alleges that Covanta conducted an unauthorized solicitation of all Covanta employees for its connected separate segregated fund, the Covanta Energy Corporation Political Action Fund ("Covanta PAC"),¹ through the routine distribution of its Policy of Business Conduct ("employee handbook"). It also claims that by failing to notify Local 369 of its intention to make the alleged solicitation and by not informing Local 369 of the method by which it conducted the alleged solicitation it further violated Commission regulations.

¹ Covanta PAC's identification number is C00142158.

Local 369 also alleges the existence of other evidence indicating PAC contributions are being solicited in an unauthorized manner by Covanta. However, the facts demonstrate that Local 369's allegations are not based in reality, and that Covanta has cooperated with Local 369's requests regarding Covanta PAC's solicitations of its restricted class to the extent required by Commission regulations.

I. The Complaint Against Covanta Should Be Dismissed

Covanta hereby moves the Commission to dismiss the baseless Complaint filed by Local 369 because the Complaint fails to state a claim for a violation of 11 C.F.R. §§ 114.6(c) and (e) of the Commission's regulations. Covanta did not solicit, nor did it intend to solicit, any of its employees for contributions to Covanta PAC through the routine distribution of its employee handbook. See supra at pp. 7-10. The employee handbook merely states the existence of Covanta PAC. See supra at pp. 7-8. It does not encourage support for the PAC, or facilitate the making of contributions to the PAC, therefore, the language in Covanta's employee handbook falls far short of the language that has been held to constitute a solicitation. Id. Furthermore, it is Covanta's policy not to solicit employees outside the restricted class, and in fact there has been no intentional solicitation of such employees for contributions to Covanta PAC. See supra at p. 3. Because there was no solicitation of any employees outside its restricted class, and Covanta did not intend for there to be a solicitation, Covanta was under no obligation to inform Local 369 of its intention to solicit or to make the method of solicitation available to Local 369.

In addition to the groundless and unsupported nature of this Complaint, Local 369 has employed smear campaign tactics by widely publicizing this Complaint to government officials, news media, and other organizations in violation of the Commission's regulations regarding confidentiality. See supra at pp. 11-12. This behavior should not be condoned by the

Commission, therefore, in addition to dismissing the Complaint, Covanta asks that the Commission award Covanta any other relief as may be appropriate as a sanction for Local 369's misconduct.

II. Factual Background

A. Background Regarding Covanta PAC.

Covanta established Covanta PAC, a connected separate segregated fund ("SSF"), in order to support federal candidates, political parties, and/or other political committees whose respective views are in general agreement with those of Covanta. See Affidavit of Patricia Collins ("Collins Aff.") attached hereto as Exhibit A at ¶ 2. It is the written and stated policy of Covanta to only solicit members of its restricted class for contributions to Covanta PAC which by definition includes only its stockholders or executive or administrative personnel and their families. Collins Aff. at ¶ 3; 11 C.F.R. § 114.5(g). Covanta does not conduct, and has not conducted, intentional solicitations for Covanta PAC outside of the restricted class. Collins Aff. at ¶ 4. In addition, Covanta PAC has no custodial arrangement in place that would be necessary to facilitate twice-yearly solicitations of employees outside the restricted class. Collins Aff. at ¶ 5. The option of contributing to Covanta PAC via payroll deduction is available to members of the restricted class. Collins Aff. at ¶ 6. This method of contribution generally results in small contribution amounts. Id.

B. Communications Between Covanta and Local 369 Regarding Covanta PAC.

Local 369 began inquiring about the solicitation activities of Covanta PAC in June 2008, and Covanta supplied Local 369 with the necessary information pursuant to Commission regulations. On June 12, 2008, Local 369 requested that Covanta provide it with access to its payroll deduction process so that Local 369's restricted class members working at Covanta

SEMASS LLC could use the process to make contributions to Local 369's separate segregated fund ("Local 369's PAC"). See Exhibit B attached hereto (Compl., Attach. 2). Local 369 again wrote to Covanta on July 1, 2008 reiterating its request. See Exhibit C attached hereto (Compl., Attach. 3). Covanta complied with this request consistent with the requirements of 11 C.F.R. § 114.5(k)(1), making its method of receiving contributions from its restricted class (i.e., payroll deduction) available for use by Local 369's restricted class in a timely manner. See Exhibit D attached hereto (Compl., Attach. 4); see also Exhibit E attached hereto (Compl., Attach. 8).

On July 10, 2008, Local 369 stated in yet another letter to Covanta that it sought access to these methods because it intended to solicit contributions to its PAC from all Covanta employees, not just restricted class members of Local 369. See Exhibit F attached hereto (Compl., Attach. 5). In a letter to Local 369 dated July 25, 2008, Covanta informed Local 369 that it would not be providing the requested information because it did not solicit employees outside of its restricted class for contributions to Covanta PAC and, therefore, was under no obligation under 11 C.F.R. §§ 114.6(e) to provide Local 369 with its solicitation methods, or the names and addresses of its employees. See Exhibit E. Despite this unequivocal statement of fact, Local 369 continued to press its case, falsely accusing Covanta of misrepresenting the facts and of violating Commission regulations. See Exhibit G (Compl., Attach. 9).

C. Local 369's Smear Campaign Against Covanta.

In addition to its communications to Covanta falsely accusing them of violating Commission regulations, Local 369 attacked Covanta on another front by waging a public relations war against them. On July 18, 2008, Mr. Leonardi, on behalf of Local 369, sent letters to the Governor of Virginia, various members of Congress, and congressional candidates alleging that Covanta violated Commission regulations by not allowing Local 369 access to it

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methods of solicitation, and also claiming that the recipient received illegal contributions from Covanta PAC that may need to be disgorged. See, e.g., Exhibit H (Compl., Attach. 7). A letter to Linda Stender, a candidate for Congress, stated that Local 369 had sent letters and emails to Covanta requesting access to methods utilized by Covanta PAC to solicit its employees. Id. Local 369 goes onto to falsely state that:

Thus far Covanta has failed to grant our request. We feel it important to notify you as a recent beneficiary from Covanta Entergy [sic] Corporation PAC that we will press our concerns further with the Federal Election Commission. We are unsure what may be the outcome, although it is possible you could be required to disgorge part of or all funds you have received from Covanta Entergy [sic] Corporation PAC.

Id. These letters were sent weeks after Covanta met with Local 369, and made available to Local 369's restricted class its method of receiving contributions by payroll deduction as requested, and were sent just one day after Covanta received an email from Local 369 stating that they believed Covanta was soliciting all of its employees and demanding access to the names and mailing addresses of the employees, without providing any evidence or justification in support of their claim. See Exhibit I (Compl., Attach. 6).

As discussed above, the undersigned counsel for Covanta sent Local 369 a letter on July 25, 2008 stating it does not solicit employees outside of the restricted class, asking Local 369 to send written retractions regarding its false statements, and to desist from making further inaccurate statements. See Exhibit E. Local 369 responded by stating that it believed Covanta was in fact soliciting employees outside the restricted class, despite evidence to the contrary. See Exhibit G.

Local 369 continued its campaign against Covanta by filing the instant Complaint with the Commission in October 2008 which contains no evidence (beyond some innocuous language in an employee handbook announcing the existence of Covanta PAC) to support its allegations.

Local 369 further fanned the flames by posting a copy of the filed Complaint on the internet (http://nationalgridcontract.com/notice/covanta_FEC.pdf).

III. Argument

The complex nature of the factual background belies the simplicity of Plaintiffs' legal claims. The gravamen of Local 369's Complaint is that Covanta violated Commission regulations by allegedly soliciting contributions for Covanta PAC from all Covanta employees by distributing its employee handbook containing a paragraph that announces the existence of Covanta PAC, thereby allegedly triggering the requirements of 11 C.F.R. §§ 114.6(c) and (e). However, as Advisory Opinion 2000-7 makes clear, Covanta's employee handbook contains no language that could be construed in any context as a solicitation because it does not encourage support for Covanta PAC, nor does it facilitate the making of contributions to Covanta PAC. Because there was no solicitation of employees outside of its restricted class, Covanta was under no obligation to make available its solicitation methods (other than those utilized for the restricted class) or names and mailing addresses of such employees to Local 369. Furthermore, Local 369's allegations that unitemized contributions somehow mean that Covanta PAC is soliciting members outside the restricted class simply have no basis in reality.² Covanta has gone to great lengths to comply with Local 369's requests regarding Covanta PAC, yet Local 369 continues to wrongly accuse Covanta of violating the law in a very public manner despite having no basis or evidence for doing so. Because Covanta's employee handbook does not constitute an unauthorized solicitation and Covanta has not intentionally solicited any of its

² Contributions of \$200 or less (aggregated with other receipts from the same source for the calendar year) are not required to be itemized. See 11 C.F.R. § 104.8.

employees outside the restricted class, this Complaint must be dismissed by the Commission failure to state a claim.

A. Covanta's Employee Handbook Does Not Constitute An Unauthorized Solicitation.

Covanta annually distributes a copy of its Policy of Business Conduct ("employee handbook") to all employees. The copy that is attached to Local 369's Complaint is dated September 2007. See Exhibit J attached hereto (Compl., Attach. 11). The employee handbook addresses such topics, including, but not limited to, equal opportunity employment, accounting controls and financial statements, conflicts of interest, outside employment, sales practices, intellectual property, dealing with government officials, record retention, and political contributions/lobbying. Id. The section titled "Political Contributions/Lobbying" on page 11 of the September 2007 version and states:

Federal, state, and local laws impose various restrictions on political campaign contributions. Under federal law a corporation may not make political contributions to federal political candidates or campaign committees.

Id. at 11. The section goes on to inform employees about the existence of Covanta PAC stating:

Primarily in order to make contributions to federal political candidates or committees, we have established a federal political action committee (or "PAC"). Contributions to the PAC by eligible employees are voluntary. Whether an employee contributes or not results in no favor, disfavor or reprisal from Covanta. The PAC will comply with all related federal and state laws.

The company also has written procedures which must be followed before a proposed political contribution or expenditure is made or any action is taken regarding a contribution or expenditure. Only our Director of Government Affairs may initiate these procedures.

Id. (emphasis added). Local 369 alleges that the language in bold constitutes an unauthorized solicitation. For the reasons discussed below, the Commission in Advisory Opinion 2000-7 has found that such language does not rise to the level of a solicitation.

The issue of whether corporate communication constitutes a solicitation for contributions to the corporation's SSF has not been specifically addressed by the Act, or Commission regulations. Advisory Opinion 2000-7. However, the Commission has "addressed this issue in various advisory opinions where it has reviewed the particular language of a communication and analyzed whether the language does, in fact, solicit participation. Specifically, the Commission has determined whether the language or information provided would either encourage readers to support an SSF's activities or facilitate making contributions to the SSF." Advisory Opinion 2000-7, at p.4 (citing various advisory opinions) (emphasis added). Thus, the Commission has concluded that a communication concerning a corporate PAC is not a solicitation if it 1) does not encourage support for the PAC; and 2) does not facilitate the making of contributions to the PAC. See, e.g., Advisory Opinions 2003-14, 2000-7, 1991-3, 1988-2, 1983-38, and 1982-65.

The language at issue in Advisory Opinion 2000-7 is quite similar (and in fact more detailed in some respects) to the language contained in Covanta's employee handbook. In Advisory Opinion 2000-7, the Commission considered whether language posted on a company's government relations website constituted a solicitation. The language stated:

Alcatel USA, Inc. supports the operation of the Alcatel USA, Inc. Political Action Committee ("the Alcatel PAC") as authorized by, and in accordance with, federal law. Under applicable law, participation in the Alcatel PAC is limited to only those Alcatel USA employees who hold high-level administrative, executive or managerial responsibilities in the U.S. The Alcatel PAC funds are used to make contributions to candidates for federal office. Under applicable law, the amounts that may be contributed to and by a PAC are limited, and steps must be taken to ensure that employee contributions to the PAC are strictly voluntary and without coercion. The Executive Committee decides what federal candidates merit consideration for contributions. Employees desiring additional information on

their eligibility or about the activities of the Alcatel PAC may contact Alcatel USA Political Action Committee, 1000 Coit Road, Plano, TX 75075, Attention: [name, phone number and e-mail address of Alcatel PAC official].

Advisory Opinion 2000-7, at p. 2. The website where the above language was posted was accessible by all employees of Alcatel USA, not just members of the restricted class. The Commission concluded that the language above did not constitute a solicitation, reasoning that the language merely refers to the fact that the company supported the PAC and generally described the function of the PAC. *Id.* at p. 5. Furthermore, the Commission explained that while the website language stated that employees desiring additional information on their eligibility or about the PAC's activities could contact the PAC, that "such a statement merely conveys information that might engender inquiry; it is not an encouragement to contribute." *Id.*

The paragraph in Covanta's employee handbook that Local 369 takes issue with is even less detailed and more generic in its content than the statement on the Alcatel website that was found not to be a solicitation. The first part of the statement merely announces the existence of Covanta PAC stating "[p]rimarily in order to make contributions to federal political candidates or committees, we have established a federal political action committee (or "PAC")." See Exhibit J at p. 11. It then states "[c]ontributions to the PAC by eligible employees are voluntary. Whether an employee contributes or not results in no favor, disfavor or reprisal from Covanta. The PAC will comply with all related federal and state laws." *Id.* Unlike the language on the Alcatel website, it provided no details about how to contact Covanta PAC, and in no way encourages support for Covanta PAC, or facilitates the making of contributions to Covanta PAC. In addition, Covanta did not intend for such language to constitute a solicitation. See Collins Aff. at ¶ 4. Thus, the Commission must conclude, as it did in Advisory Opinion 2000-7, that the language in Covanta's employee handbook does not constitute a solicitation. Therefore, because

no solicitation occurred through the distribution of its employee handbook (and Covanta did not solicit employees outside its restricted class in any other manner), Covanta was not subject to the requirements of 11 C.F.R. § 114.6(c) or (e).

B. Covanta Does Not Intentionally Solicit Employees Outside Its Restricted Class.

Local 369 has offered no other credible evidence that indicates that Covanta solicited employees outside of its restricted class, and the evidence presented in Covanta's Response demonstrates just the opposite — that Covanta does not intentionally conduct such solicitations. As stated in section II.A. *supra*, it is the stated policy of Covanta to only solicit members of the restricted class for contributions to Covanta PAC, and Covanta has no custodial arrangement in place that would be necessary to facilitate twice-yearly solicitations of employees outside the restricted class. Collins Aff. at ¶¶ 3, 5. Covanta does not conduct, and has not conducted, an intentional solicitation for Covanta PAC outside of the restricted class. Collins Aff. at ¶ 4.

While Local 369's Complaint contains numerous affidavits from Covanta SEMASS employees stating they received a request for donations to Covanta Energy Corporation Political Action Committee "on or about the first quarter of 2008," Local 369 concedes in its Complaint that the solicitation referred to in the affidavits was for Covanta Energy Corporation's Massachusetts Political Action Committee ("Covanta MA PAC"), a state PAC, and was not for Covanta PAC, a federal SSF. Compl. p. 5-6. Local 369's other "evidence" of an unauthorized solicitation is the fact that Covanta PAC's unitemized contributions at the end of June 30, 2008 were reported to be \$3355.53. Pursuant to 11 C.F.R. § 104.8, contributions of \$200 less (in the aggregate from one source for a calendar year) are not required to be itemized. Local 369 infers from the amount of Covanta PAC's unitemized contributions that Covanta has been soliciting employees outside of its restricted class, but such an inference is unwarranted at best. As

mentioned in Local 369's Complaint and in section II.A above, Covanta offers members of its restricted class the option of contributing via payroll deduction. Collins Aff. at ¶ 6. This method of deduction typically results in small contribution amounts (under \$200 in the aggregate for the calendar year) which accounts for the number of unitemized contributions. *Id.* Local 369's assertion that Covanta PAC has a certain amount of unitemized contributions is simply not a credible basis for alleging that Covanta conducts unauthorized solicitations.

C. Local 369 Has Employed Smear Campaign Tactics Against Covanta.

Covanta has done nothing but cooperate with Local 369's requests to the extent required by Commission regulations, yet Local 369 continues to publicly smear Covanta's reputation. As discussed in section II above, Covanta complied with Local 369's requests in a timely manner consistent with the requirements of Commission regulations which state that a corporation shall make its methods of soliciting voluntary contributions from its restricted class available to a labor organization which represents members of the corporation. 11 C.F.R. § 114.5(k).

Despite Covanta's cooperation with Local 369's requests, Local 369 continues to falsely accuse Covanta in a very public manner of violating the law despite having no basis or evidence for doing so. In addition to filing this unsupported Complaint, Local 369 has employed smear campaign tactics by widely publicizing this Complaint (~~see~~ http://nationalgridcontract.com/notice/covanta_FEC.pdf) and their unsupported grievances to government officials, congressional candidates, news media, and other organizations (~~see, e.g.,~~ Exhibit H) in violation of the Commission's regulations regarding confidentiality. See 11 C.F.R. § 111.21 (stating that non complaint filed with the Commission shall be made public by any person or entity without the written consent of the respondent). Local 369 did not seek Covanta's consent, written or otherwise, prior to publicizing the Complaint. While Covanta is

not at this time going to file a complaint regarding this issue, this egregious and defamatory behavior should not be condoned by the Commission. Therefore, Covanta asks that in addition to dismissing the Complaint against Covanta, that the Commission award Covanta any other relief as may be deemed appropriate by the Commission as a sanction for Local 369's violation of the Commission regulations regarding confidentiality.

IV. Conclusion

Covanta's employee handbook does not constitute an unauthorized solicitation, Local 369 has presented no evidence to demonstrate that Covanta violated Commission regulations, and Covanta has in fact complied with Commission regulations to the extent necessary regarding Local 369's requests. Covanta has committed no violation of the Act or Commission regulations, and the alleged facts and law do not support further proceedings with respect to the Complaint. Therefore, Covanta respectfully moves the Commission to dismiss the MUR, and for such other necessary relief as deemed appropriate by the Commission.

Respectfully submitted,

 *Irwin Rajj* / By *WKA*

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Dated: November 12, 2008

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EXHIBIT J

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COVANTA

POLICY OF BUSINESS CONDUCT

September, 2007

Covanta Holding Corporation **Policy of Business Conduct**

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COVANTA

Covanta Holding Corporation Policy of Business Conduct

Ladies and Gentlemen:

Covanta Holding Corporation and each of its subsidiaries, including Covanta Energy Corporation and National American Insurance Company of California, are committed to conducting business ethically and legally. Our Policy of Business Conduct states our standards of corporate ethics and legal compliance. As officers and employees we are all expected to know these policies and to apply them in the daily performance of our jobs.

This policy summarizes the minimum requirements expected of our employees, officers and, where applicable, directors. But like any policy, its requirements may be overlooked or misunderstood if they are not continually reiterated and reinforced. For this reason, we distribute this policy to all employees on an annual basis, and throughout the year we circulate information on selected topics addressed in this policy. We have also made it available on our corporate intranet and internet sites. These guidelines contained in this policy apply to the employees of all our subsidiaries. We urge you to read them carefully.

We continue to review and revise our Policy of Business Conduct to minimize the risk of the pitfalls which a number of corporations have encountered over the last few years. Even in a comprehensive format, however, it is impossible to address every area of concern and answer every question concerning our standards of behavior.

If you are concerned about any questionable transaction, we urge you to report your concerns as provided in this policy.

In addition to the policies contained in this Policy of Business Conduct, we have several other more specific policies that may govern your activities. These policies are identified throughout the Policy of Business Conduct. You should obtain from our General Counsel copies of specific policies that you believe are applicable to your activities.

Thank you for your cooperation.



**Anthony J. Orlando
President and Chief Executive Officer
Covanta Holding Corporation**

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Speak Up!

IF YOU HAVE ANY CONCERNS, QUESTIONS OR SUGGESTIONS CONCERNING THE POLICY OF BUSINESS CONDUCT, YOU SHOULD REPORT THEM TO (I) YOUR SUPERVISOR OR MANAGER; (II) THE GENERAL COUNSEL OR VICE PRESIDENT, HUMAN RESOURCES OF YOUR BUSINESS UNIT; OR (III) TO TIMOTHY J. SIMPSON, COVANTA'S GENERAL COUNSEL, AT 973-882-7308, OR TO ROBERT MONTELEONE, COVANTA ENERGY'S VICE PRESIDENT, HUMAN RESOURCES, AT 973-882-7153.

OR, IF YOU PREFER TO REMAIN ANONYMOUS, YOU CAN CONTACT:

THE NETWORK 1-800-241-5889

**Call Toll-Free From Any Location Any Time
You DO NOT have to give your name.
For international calls, call collect 770-409-5006**

OR

**THE CHAIRMAN OF THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS OF COVANTA HOLDING CORPORATION**

**PO Box 7
Cassville Station
Jackson, NJ 08527**

Information reported to The Network or Covanta's Audit Committee will be handled on a confidential anonymous basis. Only the substance may be referred to Covanta's management.

We prohibit retaliation against an employee who has filed, in good faith, a complaint under this policy or under any law or for assisting in a complaint investigation. Any supervisor or member of management who knows an employee is being harassed, discriminated or retaliated against and fails to address the situation or fails to notify higher management will be subject to disciplinary action.

Covanta Holding Corporation Policy of Business Conduct

Our Values

We are committed to operating in an ethical fashion, governed by both the letter and the spirit of the law. We expect our employees to live up to this standard not only in our dealings with colleagues, competitors, customers and governments, but with our consultants, contractors, representatives and suppliers as well.

We will achieve and maintain our high standards of ethical conduct through your recognition and adherence to our corporate policies and *its basic values*:

- ✓ **Honesty:** being truthful and "up-front" with our co-workers, customers, communities, suppliers and creditors.
- ✓ **Integrity:** saying what we mean and meaning what we say; delivering what we promise and standing for what is right.
- ✓ **Respect:** treating one another with fairness and dignity; appreciating the unique abilities and strengths of the individual and the advantage of diversity.
- ✓ **Trust:** keeping our promises.
- ✓ **Reasonability:** taking the initiative to speak up and report concerns regarding ethical conduct and to seek reliable guidance in cases of doubt.
- ✓ **Citizenship:** obeying the federal, state and local laws of the United States and any other country in which we do business; taking an active role in making our communities and Covanta better.

This Policy is intended to be a valuable, everyday tool in your job at Covanta. Our collective commitment to the principles of ethical business conduct is an essential element of our continuing success.

General Principles Regarding the Conduct of Our Business

- ✓ We comply fully with all laws, rules and regulations that govern our operations nationally and abroad.
- ✓ We strictly prohibit the use of our funds or assets for any unlawful or improper purpose.
- ✓ No one may establish an undisclosed or unrecorded fund or asset for any purpose.
- ✓ No one may make false or artificial entries in our books and records for any reason, and no one shall engage in any arrangement that results in such prohibited act.
- ✓ No one may approve or make a payment on behalf of Covanta with the intention or understanding that any part of it is to be used for any purpose other than that described by the documents supporting the payment.
- ✓ Any employee having information or knowledge of any unrecorded fund or asset or any act in violation of this Policy is required to promptly report such matter as provided in this Policy.
- ✓ All management employees are required to review and approve disbursement vouchers in accordance with our purchasing and payment policy which includes all expense reports of their subordinate employees.
- ✓ All management employees shall be responsible for the enforcement of and compliance with this Policy, including necessary distribution to ensure employee knowledge, acceptance and compliance.

Environmental, Health and Safety Policy

We will operate in an environmentally sound manner protective of employee health and safety. We will comply with our own environmental, health and safety policies and standards and all applicable environmental, health and safety laws and regulations governing our business. Management will establish appropriate standards for environmental protection, health and safety. In the absence of clearly defined environmental, health and safety laws, regulations or standards, you should seek guidance from their immediate supervisor or our General Council.

We will keep accurate records pertaining to environmental, health and safety matters as required by law or regulation and our own policies.

You must report promptly breaches of this policy to your immediate supervisor, to the environmental specialist for your facility or to the department head for environmental compliance or the health and safety coordinator. If you fear this would compromise you, or where the persons you initially contacted fails to act, you should report the matter to our General Council or as provided in this Policy.

Our health and safety policy is based on our commitment to the ongoing integration of health and safety into all activities with the objective of eliminating illnesses and injuries and continuously improving performance. These principles are as follows:

- **Nothing is more important than health and safety ...not production, not throughput, not profits.**
- **Accidents, illnesses and injuries are preventable...they are not inevitable.**
- **Health and Safety is a management responsibility...and health and safety can be managed.**
- **Health and Safety is an individual responsibility...and a condition of employment.**
- **Health and Safety is a way of life...around the clock, both on and off the job.**
- **Every task must be performed with a concern for health and safety...for ourselves, our fellow employees, our contractors, our visitors, our customers and the communities in which we operate.**

Our environmental policy is embodied in five principles:

- **Protection... We will to conduct our business in an environmentally sound manner that is protective of human health and the environment.**
- **Compliance... We will manage our work to assure compliance with all applicable environmental regulations and requirements.**
- **Conservation... We will minimize impact to the environment by encouraging pollution prevention at the source, waste minimization, facilitating use of recycling opportunities and responsible disposal of any production by-products.**
- **Qualification... We will ensure that all employees have the necessary information, resources and training to make informed environmental decisions.**
- **Commitment... We are committed to be an industry leader in environmental protection by achieving superior awareness and performance.**

Accurate Books and Records

Our books, records and accounts must accurately, fairly and in reasonable detail reflect transactions and dispositions of assets. We do not establish or maintain for any reason unrecorded funds or assets, domestically or abroad. We do not make for any reason false, artificial or misleading entries in our books and records (including tax returns). We do not engage in any arrangement that results in these prohibited acts. We do not effect transactions or make payments, domestically or abroad, with the intention or understanding that the transaction or payment is other than as described in the documentation evidencing the transaction or supporting the payment.

If you believe any such fund, asset, entry, transaction or payment might exist, you should immediately contact our General Counsel or respond as provided in this policy.

Integrity of Financial Statements and Financial Information

Our financial statements and other financial information publicly disclosed must be fairly presented in all material respects. Our financial statements, including the notes, and other information contained in our public reports must:

- reflect the selection of appropriate accounting standards;
- reflect compliance with applicable insurance laws and regulations and the preparation of our National American Insurance Company of California (and its subsidiaries) financial statements pursuant to statutory accounting requirements applicable to our insurance business;
- properly apply these standards; and
- disclose financial information that is informative and reasonably reflects the underlying transactions and events.

Additional disclosures should be included to provide the user with a materially accurate picture of our financial condition, results of operations and cash flows.

If you are concerned about questionable accounting or auditing practices you should address that concern to your immediate supervisor. If you are not satisfied that such supervisor has adequately addressed the concern or you are worried about retaliation, please communicate those concerns to our Chief Accounting Officer, Chief Financial Officer, General Counsel, or Chief Executive Officer.

In the alternative, you may also report concerns anonymously as provided in this policy.

Our Chief Financial Officer will receive, retain and respond as he or she deems appropriate to complaints received regarding accounting, internal accounting controls or auditing matters. He or she will at each meeting of the Audit Committee communicate any such complaints received since the committee's last meeting to the committee.

Integrity of Reports Filed with the Securities Exchange Commission

We will not file with the Securities and Exchange Commission any report that contains any material misstatement or omission. Our reports will contain all material information and otherwise meet all the requirements of the Securities and Exchange Commission for that report. If you assist in the preparation of reports filed with the Securities and Exchange Commission you must keep this objective in mind and should discuss any concerns you have in this regard with your supervisor, the Chief Accounting Officer, the Chief Financial Officer, the General Counsel or the Chief Executive Officer. You may also report concerns anonymously as provided in this policy.

Internal Accounting Controls

In compliance with federal law relating to public corporations, we design and maintain a system of internal accounting controls sufficient to provide assurance that (a) transactions are executed in accordance with management's general or specific authorization; (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or other criteria applicable to such statements and to maintain accounting principles or other criteria applicable to such statements and to maintain accountability for assets; (c) access to such assets is permitted only in accordance with management's general or specific authorizations; and (d) the recorded

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accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Disclosure Controls

It is the responsibility of our senior management, under the direction of the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer to establish and maintain disclosure controls and procedures for the Company; to periodically review and evaluate such controls and procedures; and to disclose to the Audit Committee and to our auditors any significant deficiencies in the design or weaknesses of internal controls, or fraud (regardless of materiality) involving persons having a significant role in the Company's internal controls.

Disclosure controls are procedures designed to identify information potentially subject to disclosure under the Securities and Exchange Commission's rules, information relevant to an assessment of the need to disclose developments and risks pertaining to our business, and information that must be evaluated for disclosure under the Securities and Exchange Commission's rules requiring disclosure of material information necessary to make statements required in Commission reports not misleading.

We have a Disclosure Controls Policy. If you are involved in the preparation of our reports required under the federal securities laws, you should be familiar with that policy, which may be obtained from any member of the legal department.

Auditor Conflicts of Interest

We will not retain a public accounting firm to perform any audit service if the Chief Executive Officer, Chief Accounting Officer, Chief Financial Officer, or any person serving in an equivalent position was employed by that public accounting firm and participated in any capacity in the audit during the 3-year period preceding the date of the initiation of the audit.

Prohibited Services by Covanta's Auditors

We do not retain the public accounting firm auditing our books and records to provide any services in addition to those pertaining to its audit without the consent of the Chief Financial Officer and the Audit Committee. In no event will we retain auditors to provide the following non-audit services:

- bookkeeping or other services related to our accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services unrelated to the audit;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal services or expert services unrelated to the audit; or

- any other service that the Public Company Accounting Oversight Board determines, to be impermissible.

If we retain our auditors to provide any non-audit service we will disclose this in our reports filed with the Securities and Exchange Commission, in accordance with the Commission's rules and forms. We have a separate policy on the retention of auditors to perform non-audit services. If you are contemplating retaining an accounting firm to provide non-audit services you should be familiar with that policy which can be obtained from any member of the legal department.

Relationships with Auditors and Inside Accountants

Our directors, officers and employees may not do anything which would fraudulently influence, coerce, manipulate, or mislead our inside accountants or our outside auditors for the purpose of rendering our financial statements or Securities and Exchange Commission reports materially misleading. Our directors, officers and employees may not give any assignment to our auditors without the prior consent of the Chief Financial Officer and the Audit Committee.

Prohibited Loans to Directors and Executive Officers

Except as explicitly permitted Section 13(k) of the Securities Exchange Act of 1934, we will not extend or maintain credit, or arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any of our directors or executive officers (or equivalent thereof).

Conflicts of Interest

You should avoid any situation or interest which might interfere with your judgment with respect to your responsibilities to Covanta, unless such situation or interest is approved by our General Counsel and/or our Board of Directors or committee thereof, as applicable.

You would have a conflict of interest, for example, if you (a) have a financial interest which could affect your judgment; (b) gain personal enrichment through access to confidential information; or (c) misuse your position with us in a way which results in personal gain. You would also have a conflict of interest if you or a related party (including spouses, minor children or any other family members living in the same household) has a personal interest, direct, or indirect, in any of our suppliers, customers or competitors.

If you think you may have a conflict of interest, you must disclose it to our General Counsel. After you have disclosed a potential conflict, a determination will be made as to whether you should divest yourself of the interest or whether your job functions must be realigned.

You and the members of your immediate family (including spouses, minor children or any other family members living in the same household) may not own an interest, direct or indirect, in any of our suppliers, customers or competitors, unless approved by our General Counsel and/or our Board of Directors or committee thereof, as applicable. This does not apply to an interest of up to two percent (2%) of the outstanding stock of a corporation if such stock is available to the general public on a registered securities exchange market. You may not acquire a business opportunity which we may be interested in acquiring, unless approved by our General Counsel and/or our Board of Directors or committee thereof, as applicable.

Outside Employment

You may not engage in outside employment or activity which would conflict with Covanta's interests, or which would reduce your efficiency in performing your employment duties to us, unless such outside employment or activity is approved by our General Counsel and/or our Board of Directors or committee thereof, as applicable.

Related Party Transactions

Related parties include (a) an organization of which one of our officers or directors is also an officer or director; (b) an organization of which one of our officers or directors is the beneficial owner of ten percent (10%) or more of any class of securities; (c) any trust in which one of our officers or directors has a substantial interest, or serves as trustee or in a similar fiduciary capacity; or (d) any relative of one of our officers or directors who may significantly influence or be influenced by a business transaction with an organization of which he or she is an officer or director.

Related parties may not be presumed to deal with one another at arm's length. Therefore, if any one of our officers or directors believes such a transaction exists or might occur that is other than at arm's length, full disclosure must be made to our General Counsel, and such related party transaction must be approved by our General Counsel and/or our Board of Directors or committee thereof, as applicable.

Political Contributions/Lobbying

Political Contributions

Federal, state, and local laws impose various restrictions on political campaign contributions. Under federal law a corporation may not make political contributions to federal political candidates or campaign committees. The extent to which corporations are permitted to contribute to state political candidates or campaign committees varies from state to state.

We will only make political contributions and expenditures if it is in our best interest and we determine that the proposed contribution or expenditure is legal. Contributions include not only donations of cash or property (e.g., monetary contribution to a campaign or political committee, purchases of tickets to political dinners, or paying for advertisements on behalf of candidates) but also the use of our facilities and resources.

In general, employees are free to make a personal contribution to any political candidates or committees as an individual and not as a representative of Covanta, subject to the individual limitations under state or federal law. However, members of our Board of Directors and our officers who contribute as individuals to candidates for state office in New Jersey and Maryland, may be subject to certain contribution limits and/or disclosure obligations. Contributions by members of the Board, officers and employees with managerial responsibilities for our Connecticut facilities to candidates for certain state offices in Connecticut are prohibited.

The regulations relating to political contributions are complex and changing. Prior to making or authorizing a corporate contribution or authorizing the use of a Covanta facility or resource for political purposes, please consult our Director of Governmental Affairs and our General Counsel. If you have any questions concerning a personal contribution, please contact our General Counsel.

Primarily in order to make contributions to federal political candidates or committees, we have established a federal political action committee (or "PAC"). Contributions to the PAC by eligible employees are voluntary. Whether an employee contributes or not results in no favor, disfavor or reprisal from Covanta. The PAC will comply with all related federal and state laws.

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The Company also has written procedures which must be followed before a proposed political contribution or expenditure is made or any action is taken regarding a contribution or expenditure. Only our Director of Government Affairs may initiate these procedures.

Lobbying Activity

If you interact with federal, state, or local public officials on behalf of Covanta, you may be required to register as a lobbyist at the federal, state, or local level. Federal, state, or local law may also require the disclosure of any such interaction which qualifies as "lobbying activity." Such laws also generally prohibit the use of government contract funds for lobbying activities. You should not engage in lobbying activities or hire lobbyists on our behalf without the prior approval of our General Counsel and our Director of Government Affairs.

Dealing with Government Officials

If you deal with federal, state, local or foreign officials, you must avoid even the appearance of impropriety. Failure in this regard can result in legal violations, loss of business, as well as damaging publicity for both Covanta and you.

Each governmental entity has its own rules governing the conduct of its employees. If you deal with such officials on a regular basis, obtain a copy of their governing ethics guide or rules, if any. In addition, you must be sensitive to requests or comments by government officials which may appear perfectly proper but could be susceptible to a different interpretation by other government officials or the media. All questions or uncertainties should be raised immediately with our General Counsel.

Federal, state, and local laws and regulations place important restrictions on the procurement process. For example, federal law prohibits competing contractors from soliciting or receiving proprietary or source selection information prior to the award of a contract; requires contractors to maintain accurate records of charges and to ensure that all cost and pricing data are current, accurate, and complete; and bans employment discussion by contractors with procurement officials during the procurement process. Many state and local laws impose similar requirements. If you deal with government agencies you should familiarize yourself with these and other requirements under appropriate procurement laws.

Please see the section of this booklet dealing with Gifts and Entertainment for additional policies with respect to dealing with governmental officials.

Gifts and Entertainment

We follow ethical standards of behavior in our dealings with our customers, both in the public and private sector, and with our suppliers and service providers.

Public Sector Customers

Various federal, state, and local laws prohibit the offering, promising or giving of anything of value to an employee, agent or official of a federal, state, local or foreign government if the gift or gratuity is made with an intent to influence such individual in the performance of an official act, or because of an official act performed or to be performed by the public official. Federal, state and local public agencies have developed detailed guidelines concerning when persons dealing with a particular agency may properly provide a public official with gifts, entertainment, refreshments, transportation, lodging or meals in

connection with a business meeting. Such guidelines may contain express exemptions which may allow a federal, state, or local government employee, agent or official to accept a gift which is below a certain dollar amount (individually and aggregating all other gifts in a given year) and thus considered nominal in value.

If you deal with employees, agents, or officials of federal, state, local, or foreign governments on a regular basis, obtain a copy of their governing ethics guide or rules, if any. The regulations may vary among the different agencies, and no gifts, entertainment, transportation, lodging, refreshments or meals may be provided unless expressly authorized by law or the agency's stated policy. Note that it is always important to avoid even the appearance of impropriety.

These rules are complex. It may be difficult to establish that gifts are not made for improper purposes and to avoid any appearance of impropriety. Therefore, it is our policy not to entertain or to provide meals or refreshments or to offer, promise or make any gift to any government employee, agent or official federal, state or local public authority or foreign government, unless they are:

- (a) customary and legal under applicable laws and regulations;
- (b) nominal in value;
- (c) in the case of entertainment, meals, transportation, lodging, or refreshments, provided solely for the purpose of discussing matters affecting our legitimate business interest; and
- (d) reported as required by applicable laws and regulations.

If you have any doubts at all about whether any expenditure meets the requirements outlined above, and in any case if the expenditure exceeds \$50, contact our General Counsel.

Private Sector Customers, Suppliers or Others

Gifts, kickbacks, or bribes for the purpose of influencing the business decisions of employees of customers in the United States is illegal under state commercial bribery laws and may be a violation of federal laws. You may not make this kind of gift or payment under any circumstances.

Federal law restricts the extent of the deductibility of gifts to private sector customers or suppliers. We strongly discourage gifts made by or on behalf of Covanta in excess of \$100 per year to any individual, but in the event a gift is proposed to be made in excess of this amount, approval must be secured in advance from our General Counsel.

Gifts should be reviewed in the context of the following criteria:

- Gifts in the form of cash, stocks, bonds (or similar types of items) are unacceptable, under any circumstances.
- Gifts must be in accordance with normally accepted business practices and applicable laws, and comply with the policies of the organization employing the recipient.
- Subsequent public disclosure of all facts should not be embarrassing to us.

In entertaining private sector customers or suppliers, lavish expenditures are to be avoided. The cost and nature of the entertainment should be planned and carried out in a way which appropriately and reasonably furthers the conduct of our business. Employees of potential private sector customers may be

transported to, shown, and served at our locations as part of the normal sales effort at our expense. Of course, such travel should never be a subterfuge to provide otherwise prohibited entertainment.

It is not our intent to eliminate gifts made in accordance with normally accepted business practices, such as holiday gifts, or to eliminate normal business entertainment, where we, in accordance with established practices, entertain at our expense employees of customers and individuals representing entities with which we have a business relationship.

General Employees

Similar guidelines reflect our policy with respect to gifts and entertainment received by our employees from suppliers, customers and others.

Gifts totaling more than \$150 from any supplier or customer should not be accepted in any year, and any gift not meeting this requirement which has been received by an employee should normally be returned to the donor. If the circumstances would clearly appear to make the return of the gift detrimental to our interests, our General Counsel should be immediately consulted for a decision on the proper course of action.

With respect to entertainment, the same criteria apply. Employees should never accept social invitations where the cost is lavish or extreme and is intended to influence or interfere with business decisions.

Improper Payments to Government Officials, Political Parties and Candidates

It is our policy not to offer, pay, promise, or authorize the payment of money or anything of value to any federal, state, local or foreign government official, political party or candidate for political office (or to anyone else, knowing that all or a portion of the payment will be provided to such a person or political party), for the purpose of obtaining or retaining business. This includes both gifts and offers of gifts and payments for which we receive consideration. These activities are prohibited by federal, state, and local law. Violations may subject us to substantial fines. Officers, directors or employees who violate the law may be punished by fines and/or imprisonment. If you work outside the United States or are dealing with foreign officials you must comply with our separate policies relating to the United States Foreign Corrupt Practices Act, a copy of which can be obtained from members of the legal department. You should also be familiar with our separate policies governing the retention of foreign agents. All questionable activities should be reported to our General Counsel or as provided on the last page of this policy.

Finder's and Agent's Fees

An outside consultant who will receive compensation for soliciting, securing or retaining business for us may be retained only with the prior written approval of our General Counsel, and only pursuant to a written contract setting forth the basis for determining the consultant's fee. Any questions regarding this issue must be raised with our General Counsel.

The circumstances to be considered with respect to whether a consultant may be retained for this purpose is permissible, include the following:

- Is the counterparty aware that the consultant is receiving a fee?
- Is the payment proportionate to the services rendered by the consultant, taking into consideration the results achieved and normal business practices?

- The background of the consultant and the relationship of the consultant to the customer.
- The nature of the counterparty, especially whether it is a public entity.
- The legality of paying success fees. (In many jurisdictions, the payment of success fees to a consultant to advocate on behalf of a bidder proposal is prohibited.)

Compensation to finders and agents must be by check paid directly to the consultant. Checks must never be made payable to cash or to a third party.

Antitrust

(A more detailed discussion of our policies regarding Antitrust compliance is set forth in our policy statement on that subject, to which you should also refer)

We compete vigorously in our markets. We have thrived in this atmosphere and intend to continue a policy of engaging in lawful and dynamic competition to our benefit and that of the economy as a whole. It is fundamental that we independently determine the pricing, terms, commissions, and other contractual terms offered to customers. You should adhere to these principles and you should be sure that those employees working for you do as well.

It is important to avoid the following:

- discussing prices with competitors – **ever**;
- discussing or agreeing with competitors to restrict or increase levels of production;
- agreeing with competitors to adhere to certain prices or otherwise restrict price;
- discussing or coordinating bidding with competitors;
- discussing customers, markets or territories with competitors;
- requiring a customer to buy products only from us, without consulting our General Counsel;
- discussing or agreeing with competitors to boycott suppliers or customers;
- offering customer prices or terms more favorable than those offered competing customers unless justified by cost savings, the need to meet competition or changed market conditions;
- using one product as leverage to force or induce a customer to purchase another product; and/or

any concealment of wrongdoing; report it promptly to our General Counsel or as provided in this policy.

Joint Ventures

In some situations, joint activity with a competitor is acceptable under the antitrust laws. However, it can be difficult to identify antitrust issues in this context. Accordingly, all joint ventures or joint activity with any competitor should be discussed in advance with our General Counsel.

Trade Associations

We belong to trade associations only when such groups contribute significant benefits to justify the time and cost of membership or support. Trade associations, by their nature, involve meetings and discussions with competitors, and care must be taken to avoid antitrust problems (see antitrust guidelines above).

Failure to observe these guidelines can result in serious liability to us and to the individuals involved and will generally result in termination.

The senior manager in the business unit joining a trade association must maintain the following information:

- the name of each trade association of which we are a member pertaining to his or her business unit;
- a copy of all communications made to trade associations; and
- all requests for dues, payment and other contributions to trade associations.

You may not attend any trade association meeting unless you have been properly briefed as to our policy with regard to trade associations.

You may not become an officer in any trade association without first securing permission from our General Council.

Joint action which is illegal under the antitrust laws is not made legal because it occurs as an outgrowth of trade association participation. You should not answer trade association questionnaires asking for information relating to prices or other terms and conditions of sale or purchase. All such questionnaires must be forwarded to our General Council.

If at any trade association meeting which you are attending the subject of pricing, bidding, territorial or customer allocation or refusal to deal is mentioned in any form or manner, you must leave the meeting immediately without comment but not without notice (be sure that the other attendees will remember that you left). You must report the circumstances to our General Council so that proper corrective action (which may include membership termination) can be taken. Our guidelines with respect to trade associations must be adhered to by you while you attend conferences, trade conventions, or any other meeting where competitors are present.

Sales Practices

An employee should never knowingly misrepresent any of our products or services or the product or service of a competitor.

Intellectual Property and Confidential Information

Trade secrets, patents, trademarks and other confidential business information (such as technical standards, secret processes, engineering, new products, research work or developments and other non-public aspects of our business) as well as lists of customers and suppliers represent our intellectual property, and are among our most valuable corporate assets. You should not use such information for your own benefit or give it to others. Care must be taken to avoid inadvertent as well as intentional

disclosure. You must adhere to the Confidentiality Agreement you signed when you joined Covanta. We will treat confidential information of others that we obtain pursuant to an agreement to maintain its confidential nature in accordance with such agreements.

Equal Opportunity Employment/Harassment

(A more detailed discussion of our policies on Equal Opportunity Employment and harassment is set forth in the Employee Handbook, to which you should also refer)

We are an equal opportunity employer. We have and will continue to recruit, select, train, promote, compensate, transfer, discipline and take all other personnel actions without regard to race, color, religion, national origin, ancestry, gender, sexual orientation, age, disability, marital status, veteran status or any other characteristic protected by applicable law. We will make reasonable accommodations to qualified employees with disabilities in accordance with law.

We fully comply with all government requirements against discrimination and harassment and will act affirmatively, when necessary, to achieve these objectives. An employee found to have engaged in discrimination or harassment against any person will be subject to appropriate disciplinary action up to and including immediate termination of employment.

Harassment

We want to provide a work environment that is free of discrimination and harassment of any kind. You are responsible for respecting the rights of your co-workers. You should treat your co-workers with dignity and respect. Conduct – whether verbal, physical, visual or otherwise – that could be considered offensive or intimidating will not be tolerated. Anyone engaging in sexual or other harassment will be subject to disciplinary action, up to and including immediate termination of employment.

Definition of Harassment: Unlawful harassment can take many forms, and the precise definition is constantly changing. Actions, words, jokes or comments based on an individual's sex, race, color, religion, creed, age, national origin, disability, marital status, sexual orientation or any other legally protected characteristics will not be tolerated.

Sexual Harassment: Sexual harassment will not be tolerated. Sexual harassment has been defined as unwelcome situation directed at an employee, whether verbal, physical or demonstrative, as a result of that employee's gender which affects an employee's job conditions or creates a hostile work environment. Sexual harassment includes, but is not limited to, the following:

- Unwelcome sexual advances;
- Requests for sexual acts or favors;
- Comments made to individuals as a result of their gender;
- Inappropriate e-mails, jokes or sexually oriented language;
- Personal questions about sexual or social life;
- The use of subtle hints, suggestions or unseemly gestures;

- Display of inappropriate photographs, cartoons or other inappropriate materials;
- Rude actions or leaning; and/or
- Any other verbal or physical conduct which has the effect of treating an employee or employees differently from other employees on the basis of gender.

Other Prohibited Harassment: Harassment because of an individual's race, religion, color, national origin, ethnicity, nationality, age, marital status, gender, sexual orientation, handicap or disability, military service or any other status protected by law is also unlawful and is prohibited by us. Examples of harassment could include, but are not limited to, the following:

- Ethnic or other jokes or remarks relating to a specific protected group;
- Kidding, joking, teasing or other verbal abuse relating to an individual's protected status;
- Cartoons, e-mail or other communications referencing a person's protected status;
- The use of slang, derogatory or demeaning language; and/or
- Physical or other conduct aimed at a particular person as a result of their protected status.

Action to be taken

All employees, and particularly managers, have a responsibility of keeping our work environment free of discrimination and harassment.

If you want to report an incident of sexual or other unlawful harassment, you should take the following action:

Report the incident or complaint to your manager. If the manager is unavailable, is the subject of the complaint, or does not resolve the problem satisfactorily, you should contact your Vice President – Human Resources.

We will promptly investigate all complaints of harassment and discrimination. All employees who are interviewed during the course of the investigation will be informed that they will not suffer retaliation, reprisal or intimidation as a result of using the internal complaint procedure or cooperating with the investigation into a complaint of harassment or discrimination. Any employee, supervisor or other person who retaliates against an employee for making an internal complaint or cooperating in the investigation of an internal complaint will be subject to appropriate disciplinary action up to and including immediate termination of employment. All employees are required to cooperate with investigations.

Upon completion of the investigation, we will examine the evidence and decide what course of action to take. If it is determined that an employee has discriminated or is discriminating against or harassing another employee, appropriate disciplinary action will be taken, up to and including discharge.

Retaliation

We prohibit retaliation against an employee who has filed, in good faith, a complaint under this policy or under any law or for assisting in a complaint investigation. Any supervisor or member of management

who knows an employee is being harassed, discriminated or retaliated against and fails to address the situation or fails to notify higher management will be subject to disciplinary action.

Substance Abuse

(A more detailed discussion of our Policies Regarding Substance Abuse is set forth in the Employee Handbook, to which you should also refer)

We want to maintain a workplace that is free of illegal drugs and alcohol and to discourage drug and alcohol abuse by our employees. We have a vital interest in maintaining safe and efficient working conditions for our employees. Substance abuse is incompatible with health, safety, efficiency your and our success. Employees who are under the influence of an illegal drug or alcohol on the job compromise our interests, endanger their own health and safety and the health and safety of others, and can cause a loss of efficiency, productivity, or a disruptive working environment. All of us, and our visitors or guests at our facilities, need to understand that these substances are strictly forbidden from our property and workplaces, and we have the right to investigate and search these premises in appropriate circumstances to ensure these substances are not present.

As a condition of employment and continued employment, you must abide by this policy.

The prohibitions of this section apply wherever our interests may be adversely affected, including any time an employee is:

- On our premises;
- Conducting or performing Covanta business, regardless of location;
- Operating or responsible for the operation, custody, or care of our equipment or other property; or
- Responsible for the safety of others in the conduct of our business.

Alcohol: In any situation in which we have an interest, the following acts are prohibited:

- Unauthorized use, possession, purchase, sale, manufacture, distribution, transportation or dispensation of alcohol; or
- Being under the influence of alcohol.

Illegal Drugs: In any situation in which we have an interest, the following acts are prohibited:

- Use, possession, purchase, sale, manufacture, distribution, transportation or dispensation of any illegal drugs or any other controlled substance; or
- Being under the influence of any illegal drug or other controlled substance.

Legal Drugs: In any situation in which we have an interest, the following acts are prohibited:

- Abuse of any legal drug;

- Purchase, sale, manufacture, distribution, transportation, dispensation or possession of any legal prescription drug in a manner inconsistent with law; or
- Working while impaired by the use of a legal drug whenever such impairment might:
 - Endanger your safety or the safety of any other person;
 - Pose a risk of damage to our property; or
 - Substantially interfere with your job performance.

If you have a safety sensitive position you may not use any drugs that contain a warning label describing possible impairments to vision and/or warnings against operating vehicles and/or machinery, unless such use has been approved by your facility management.

A violation of this policy may, in our sole and exclusive discretion, result in discipline up to and including immediate discharge. Subject to applicable law, we reserve the right to require testing for drugs by urinalysis or other drug tests of any employee or applicant for employment at any time.

Possession of Firearms

You are prohibited from having firearms in your possession at any of our locations or while conducting or performing Covanta business. You may not bring firearms onto any of our locations. We have the right to investigate and search these premises in appropriate circumstances to ensure firearms are not present.

Securities Trading Policy

General Legal Concerns.

As employees of a company whose stock is traded publicly, all of us need to be mindful of the federal securities laws if we are considering buying or selling Covanta stock or other securities. These laws prohibit the purchase or sale of a security at a time when the person trading in that security possesses Material Nonpublic Information, either positive or negative, concerning the issuer of the security (including its business or prospects), or the market for the security. Depending upon the circumstances, the issuer of the security could be Covanta or some other company with which we are involved.

Current laws and regulations do not provide a definition of Material Nonpublic Information, and courts have generally found information to be "Material" if there is a substantial likelihood that a reasonable shareholder would consider it important in making an investment decision. Information is "Nonpublic" if it has not been disseminated or disclosed in a manner making it available to investors generally.

The lack of a bright line materiality test makes compliance with these laws difficult. The determination of whether certain information is "material" can only be made given the facts and circumstances involved. Any list of the types of information commonly found to be material will be incomplete and should be used only as a guideline. With that in mind, the following are some examples of information frequently found to be material:

- new or revised estimates or projections of future earnings or losses;
- adverse events that have affected the performance of one or more of our facilities;

- news of a pending or proposed merger or acquisition;
- news of transactions in our securities, such as an offering of stock, debt securities, or a tender offer or exchange offer;
- declaration of a stock split or dividend;
- news of a significant sale of assets or the disposition of a subsidiary;
- new project development;
- facts related to potential litigation, enforcement actions, regulatory compliance or the costs associated with any of the foregoing;
- change in auditors or auditor notification that we may no longer rely on the auditor's audit report;
- changes in executive management or our Board of Directors;
- gains or losses of a substantial customer or supplier;
- imminent solvency problems, such as pending bankruptcy, loan defaults or a final judgment against us; and/or
- news of any other transaction or event that is likely to impact significantly our financial condition or performance.

When a securities transaction is subject to scrutiny, it is viewed after-the-fact, with the benefit of hindsight. As a result, before engaging in any transaction, you should carefully consider how regulators and others might view the transaction in hindsight.

Any questions about whether certain information is material and/or nonpublic should be directed to our General Counsel. If you violate any of these prohibitions, you may subject yourself, us, and our officers, directors and supervisory persons to civil and criminal liability. Penalties may include a civil penalty of up to three times the profit gained or loss avoided and a criminal penalty of up to \$1 million for individuals and \$2.5 million for entities. You may also be subject to a jail term of up to ten years. Violation of this policy is a basis for and may result in your immediate termination of employment.

Our Guidelines

We have established guidelines for our directors, officers and employees who desire to engage in transactions involving our stock, notes, bonds, debentures, options, warrants and any other similar instrument to, or derivative of, the foregoing. We refer to these instruments collectively as "Company Securities".

All of our directors, officers and employees (and those of our subsidiaries) shall:

- Comply with all laws applicable to the trading of Company Securities;
- Subject to the exemption stated below, not buy or sell Company Securities at any time that they possess Material Nonpublic Information relating to Covanta or our businesses;

- Not buy or sell securities of any other company, if at the time they possess Material Nonpublic Information relating to that company obtained during the course of their service with us;
- Not directly or indirectly (a) engage in "tipping" any Material Nonpublic Information concerning Covanta or our businesses to anyone or (b) communicate Material Nonpublic Information concerning Covanta or our businesses to any third party unless such communication is appropriate under the circumstances and has been properly authorized by us, and unless the person receiving the information has agreed, in writing if appropriate, to keep such information confidential;
- Not permit any member of his or her family or other household member (including spouses, minor children or any other family members living in the same household) to engage in any of the activities prohibited by this policy;
- Not engage in frequent or speculative trading of Company Securities;
- Not engage in short sales of, or buying or selling of puts, calls or other derivatives of Company Securities;
- Not submit any information about us to any web-site or "chat-line" unless authorized by us to do so; and
- Ensure that they are in compliance with this policy before engaging in any transaction involving Company Securities.

Specific Rules for Designated Persons.

Certain individuals are also subject to additional rules because of their respective roles and their access to information about our business. They are: (i) our directors, (ii) any officers of Covanta or its subsidiaries, including any individuals listed as our executive officers in our Annual Report on Form 10-K, and (iii) any other individuals specifically identified by our Chief Executive Officer, Chief Financial Officer, or General Counsel. We refer to these individuals collectively as "Designated Persons".

If you are a Designated Person, neither you nor your family members may purchase, sell, or otherwise acquire or transfer any Company Securities, unless:

- you trade during an "open window period"; and
- you provide two (2) days' prior notice of such transaction to our General Counsel or his or her delegate.

An "open window period" begins after one (1) full trading day has elapsed after (i) issuance via a press release or other release to the financial wires of our earnings or other financial information, or (ii) a filing with the SEC of earnings and other financial information and any other material information regarding Covanta or our subsidiaries or businesses. The open window period ends on the close of trading on the 30th calendar day following such release of earnings data and other financial information, but no later than the first day of the last month of any fiscal quarter;

In addition, Designated Persons may not directly or indirectly, purchase, sell or otherwise acquire or transfer any Company Securities during any period identified as a "blackout period" under our individual

account plans (such as our 401(k) plan). Blackout periods occur if, for more than three (3) consecutive days, the ability of at least 50 percent of the plan participants or beneficiaries to trade in Company Securities is temporarily suspended. This prohibition does not apply to Company Securities acquired on the open market and sold during a blackout period and, does not apply to any blackout periods incorporated into an individual account plan and timely disclosed to employees before becoming participants under such plan.

In the event that a Designated Person's relationship with us is terminated for any reason at a time when he or she is otherwise prohibited from trading in Company Securities because of a blackout period or the absence of an open window period, then such former Designated Person shall remain subject those restrictions for the duration of such blackout period or until the next available open window period.

In addition, our directors and certain of our officers may be subject to the provisions of Section 16 of the Securities Exchange Act of 1934. These provisions require, among other things, reporting of acquisitions and dispositions of Company Securities. They also require the recovery by us of "short-swing profits," the profit an individual may be deemed to have obtained from purchasing or selling Company Securities within the preceding six months of an offsetting transaction in Company Securities unless the transaction is exempt under Section 16(b) of the 1934 Act. Liability under Section 16(b) is based upon "bright line" rules and cannot be avoided by showing that the director or officer involved did not in fact possess any Material Nonpublic Information.

Limited Exemption for Pre-Approved Trades.

Rule 10b5-1 of the Securities Exchange Act of 1934 permits, in very limited circumstances, a director, officer and employee to buy or sell Company Securities at times that he or she possesses Material Nonpublic Information. Such circumstances are limited to situations only where there exists a binding contract, written instructions regarding purchases or sales to a third party, or a written plan regarding trading, that was entered into at a time when the person did not possess Material Nonpublic Information. In each case these contracts, instructions or plans must meet detailed legal requirements. You may not rely on Rule 10b5-1 in undertaking any transaction that would otherwise be in violation of this policy unless you have first received the approval of our General Counsel or his or her delegate.

VIOLATIONS OF ANY OF THE FOREGOING CAN LEAD TO SIGNIFICANT FINES, IMPRISONMENT AND OTHER PENALTIES FOR THOSE INDIVIDUALS INVOLVED. FAILURE TO STRICTLY ADHERE TO THIS POLICY WILL RESULT IN SERIOUS CONSEQUENCES AND MAY RESULT IN TERMINATION OF EMPLOYMENT.

Record Retention

You must be aware of the requirements of our record retention policy and adhere to its terms. Copies of the policy may be obtained from our Human Resources Department.

Notwithstanding anything in the document retention policy, you may not destroy, mutilate, conceal, cover up, falsify, or make a false entry in any record, document, or tangible object with the intent to impede, obstruct, or influence the investigation or other inquiry of a government agency. Failure to adhere to this rule is not only a serious breach of our policy but also a serious violation of law which may result in large fines or extended jail sentences.

Inquiries from Government Agencies

Many of our business activities are in areas which, from time to time, may be the focus of written or oral inquiries or investigations by government agencies. In each instance, our General Counsel will coordinate the response.

If the inquiry is written, a copy must be forwarded promptly to our General Counsel.

If the inquiry is oral, your immediate response should be non-committal and cordial but you should inform the caller that you will have to call back after you have consulted with appropriate Covanta officials. You should then immediately notify our General Counsel by telephone of the inquiry and follow the advice of our General Counsel in responding.

Electronic Communications Policy

Our worldwide electronic communications networks, including Microsoft Outlook, Internet, Intranet and Voice Mail, are intended for our business use only. Misuse of these networks directly affects our systems and ability to do business. You may use our information, data and technology for Covanta-related business and its intended purposes only. You may use our systems for limited personal use. Your personal use may not interfere with the performance of your job and should not adversely impact Covanta. Since our electronic communications network is intended for business use, you have no right to privacy with respect to information received or sent through or stored on such network.

Misuse of our electronic communication networks is a violation of our policies and is a basis for disciplinary action up to and including termination of employment. In addition, a violation may have legal consequences.

Misuse of our electronic communication networks includes, but is not limited to:

- Sending or forwarding chain letters, personal advertising, or excessive personal messages;
- Offensive or inappropriate statements pertaining to race, nationality, origin, ethnicity, gender, sexual orientation, disability, age, or any other personal characteristic;
- Excessive access of non-business related Web-sites;
- Making solicitations;
- Divulging confidential or proprietary information;
- Deliberately flooding or disrupting electronic traffic inside and outside of Covanta; and/or
- Distributing statements inimical to our reputation, welfare and best interests.

Confidentiality should also be always considered carefully. Remember that messaging systems should not be considered private. Both inside and outside Covanta, a message (whether through misdirection, response to legal process, or otherwise) may be heard or seen by someone other than the intended recipient.

To ensure compliance with this policy, we reserve the right, subject to applicable law, to monitor for any purpose all communications delivered via our resources, including but not limited to, telephone communications, information or materials created or stored on the our network computer systems or on your assigned personal computer. Before any telephone-related monitoring is conducted, approval must be obtained from our General Counsel to avoid violation of federal or state law.

Internet users are responsible for virus-checking any files downloaded from the Internet. Internet users will be held accountable, for any damage caused by a virus they introduce to our network or computers via the Internet.

Copyright Policy

We recognize and respect intellectual property rights and our legal obligations with respect to our use of copyright protected materials.

You may not reproduce any copyrighted work in print, video, or electronic form in violation of the law. The easiest way to ensure no violation is by receiving express written permission of the copyright holder. Works are protected by copyright laws in the U.S. even if they are not registered with the U.S. Copyright Office and even if they do not carry the copyright symbol (©).

Copyrighted works include, but are not limited to, printed articles from publications, TV and radio programs, videotapes, music performances, photographs, training materials, manuals, documentation, software programs, databases, and World Wide Web pages. In general, the laws that apply to printed materials are also applicable to visual and electronic media. Examples include databases, CD-ROMs, and the World Wide Web pages.

We have obtained a repertory license from Copyright Clearance Center® ("CCC") permitting us to make photocopies of portions of CCC's 1.75 million registered published works. The CCC license permits unlimited copies to be distributed to our employees for internal use only. A list of the materials covered by this license can be obtained at CCC's website: www.copyright.com/search/search.asp?l.

For all other copyrighted works, you must obtain permission directly from copyright holders or their licensing representative.

Questions concerning copyright procedures, or if you need help to determine whether a work is covered by the CCC license and how to handle any special copyright issues, should be addressed to our General Counsel.

Annual Disclosure

You must certify at least once a year, by execution of the Certificate of Compliance attached to this Policy of Business Conduct and delivery thereof to the Vice President – Human Resources that you have recently read this Policy of Business Conduct and are complying with all our policies contained herein.

Speak Up!

IF YOU HAVE ANY CONCERNS, QUESTIONS OR SUGGESTIONS CONCERNING THE POLICY OF BUSINESS CONDUCT, YOU SHOULD REPORT THEM TO (I) YOUR SUPERVISOR OR MANAGER; (II) THE GENERAL COUNSEL OR VICE PRESIDENT, HUMAN RESOURCES OF YOUR BUSINESS UNIT; OR (III) TO TIMOTHY J. SIMPSON, COVANTA'S GENERAL COUNSEL, AT 973-882-7300, OR TO ROBERT MONTELEONE, COVANTA ENERGY'S VICE PRESIDENT, HUMAN RESOURCES, AT 973-882-7153.

OR, IF YOU PREFER TO REMAIN ANONYMOUS, YOU CAN CONTACT:

THE NETWORK 1-800-241-6689

**Call Toll-Free From Any Location Any Time
You DO NOT have to give your name.
For international calls, call collect 770-409-5006**

OR

**THE CHAIRMAN OF THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS OF COVANTA HOLDING CORPORATION**

**PO Box 7
Cressville Station
Jackson, NJ 08027**

Information reported to The Network or Covanta's Audit Committee will be handled on a confidential anonymous basis. Only the substance may be referred to Covanta management.

Covanta prohibits retaliation against an employee who has filed, in good faith, a complaint under this policy or under any law or for assisting in a complaint investigation. Any supervisor or member of management who knows an employee is being harassed, discriminated or retaliated against and fails to address the situation or fails to notify higher management will be subject to disciplinary action.

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Certificate of Compliance

**COVANTA HOLDING CORPORATION,
and each of its subsidiaries
Attention: Ethical Equations
Canaville Station
Box 88
Jackson, NJ 08527**

I hereby advise the Audit Committee that:

I have received and read a copy of the Policy of Business Conduct (the "Policy") applicable to Covanta Holding Corporation, and all its subsidiaries, (collectively, the "Company"); I understand the purposes and the contents of this Policy and acknowledge that it sets forth the ethical guidelines the Company requires me to follow in conducting its business; I acknowledge a responsibility to comply with this booklet in conducting the Company's business and, to the best of my ability, I will uphold and apply these guidelines in all respects; if I am in doubt I will seek advice and guidance as provided in the booklet before proceeding, and I understand that failure to comply with these guidelines will subject me to disciplinary action including dismissal.

I remained in full compliance with the ethical guidelines set forth in the Policy since the date of its last distribution through and including the date set forth below. (This paragraph does not apply to new hires subscribing to this statement for the first time.)

Very truly yours,

Employee Name _____

Name of Employer _____

Position _____

Location _____

Date _____



FEDERAL ELECTION COMMISSION
999 E Street, NW
Washington, DC 20463

STATEMENT OF DESIGNATION OF COUNSEL
Please use one form for each Respondent/Client.
FAX (202) 512-3021

MUR # 6100

NAME OF COUNSEL: Irwin Raji + Wendy Arends

FIRM: Foley + LARONER LLP

ADDRESS: 3000 K Street, NW Ste. 500

Washington, DC 20007

TELEPHONE- OFFICE (202) 6295-4031

FAX (202) 672-5399

The above-named individual and/or firm is hereby designated as my
counsel and is authorized to receive any notifications and other communications
from the Commission and to act on my behalf before the Commission.

11/11/08 Sheila T Bilder Vice President,
Date Respondent/Client Signature Deputy General Counsel

RESPONDENT/CLIENT SHEILA T. BILDER
(Please Print)

MAILING ADDRESS: COVANTA ENERGY CORP

40 LANE ROAD, FAIRFIELD, CT 07004

TELEPHONE- HOME () _____

BUSINESS (973) 882-7160

Information is being sought as part of an investigation being conducted by the Federal Election Commission and the confidentiality provisions of 2 U.S.C. § 437(g)(1)(A) apply. This section prohibits making public any investigation conducted by the Federal Election Commission without the express written consent of the person under investigation.